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RUEHMN/AMEMBASSY MONTEVIDEO 2592  
RUEHLP/AMEMBASSY LA PAZ 3696  
RUEHSG/AMEMBASSY SANTIAGO 2289  
RUEHRI/AMCONSUL RIO DE JANEIRO 8554  
RUEHRG/AMCONSUL RECIFE 3974  
RHEHNSC/NSC WASHDC  
RHMFISS/CDR USSOUTHCOM MIAMI FL  
RUEATRS/DEPT OF TREASURY WASHDC  
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RUEHC/DEPT OF LABOR WASHDC

UNCLAS SECTION 01 OF 03 SAO PAULO 000038

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STATE FOR WHA/BSC, EEB/IFD/ODF, INR/IAA, INR/R/AA  
STATE PASS USTR FOR KATE DUCKWORTH  
NSC FOR TOMASULO  
TREASURY FOR JHOEK  
USDOC FOR 4332/ITA/MAC/WH/OLAC  
USDOC ALSO FOR 3134/USFCS/OIO  
DOL FOR ILAB  
SOUTHCOM ALSO FOR POLAD  
USAID FOR LAC/AA

E.O. 12958: N/A

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SUBJECT: GOVERNMENT EXPANSION OF "BOLSA FAMILIA" BENEFITS DRAWS  
CRITICISM

REF: (A) 07 SAO PAULO 10; (B) 07 SAO PAULO 1005

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SUMMARY  
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¶1. On the last working day of 2007, President Lula expanded the scope of Bolsa Familia, the federal monthly stipend benefiting some 11 million poor families, to include an additional payment for each child aged 16 and 17. Opposition politicians called the action unethical and possibly in violation of electoral law, which frowns upon new or increased public benefits in an election year, but they will not mount a legal challenge against it. None of their candidates wants to go on record - or on the campaign trail - opposing so popular a program. In October, Brazilians voters will elect the Mayors and City Councils of the country's 5564 municipalities. End Summary.

¶2. The Bolsa Familia program ("BF"; ref A) provides 58 Reals per month (about USD 33) to families with a per capita monthly income under 60 Reals (about USD 34). Families with a per capita monthly income between 60 and 120 Reals are eligible for partial benefits based on family size and other factors. In addition, each head of household is entitled to 18 Reals (about USD 10) per child up to the age of 15, but children must attend school and be vaccinated, and pregnant women must comply with pre-natal care requirements. However, the extent to which the government monitors and enforces compliance is the subject of some controversy.

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JUST UNDER THE WIRE  
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¶3. Bolsa Familia, the government's flagship anti-poverty program, already covers about 45 million Brazilians or just under one-fourth

of the population, about double the numbers when Lula took office in 2003, and thanks to effective government communication and outreach the public strongly identifies the BF with President Lula personally and with his Workers' Party (PT). In October 2007, the administration sent to Congress draft legislation to extend the program to cover children 16-17 years old with a proposed monthly stipend of 30 Reals (about USD 17) for such beneficiaries. When Congress, consumed by the battle to renew the CPMF financial transactions tax (ref B), failed to vote on the bill, Lula on December 28 signed a "Provisional Measure" with the same language as the draft legislation, which took effect the next day.

14. Marco Aurelio Mello, President of the Superior Electoral Tribunal (TSE), opined that the timing and manner whereby the administration expanded the program were legally problematic. He cited a 2006 electoral law that prohibits the government from distributing goods, values, or benefits to voters during an election year. By acting at the last possible moment before the beginning of 2008 - a year in which municipal elections are scheduled to take place in October - to create a new benefit for a large number of voters, the government appeared to be trying to skirt the law, in his view.

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CHASING THE YOUTH VOTE  
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15. Observers were quick to note that voting is mandatory in Brazil and 16 is the minimum voting age. Gaudencio Torquato, a prominent Sao Paulo political analyst and commentator, told poloff that the measure was clearly designed to attract first-time voters to the PT. The Ministry of Social Development and the Fight Against Hunger,

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which administers the program, estimated that the measure will create an additional 1.7 million new beneficiaries, but this is considered a rough estimate and the actual figure could be higher.

16. Minister of Justice Tarso Genro, for his part, asserted that the action was legal and said it was intended to highlight the government's determination to protect the Bolsa Familia program in the face of possible budget cuts required by Congress's failure to renew the CPMF. In a December conversation, Minister of Development, Industry, and Foreign Trade Miguel Jorge told the Ambassador that the "graduation" of some BF beneficiary families to higher incomes had freed up funds to enable the government to raise the age of eligibility from 15 to 17. However, the program's expenditures continue to grow: its budget increased from 7.5 billion Reals in 2006 to 8.7 billion in 2007, and is projected at 10.4 billion Reals (USD 5.95 billion) in 2008, an increase of about 20 percent.

17. Several members of the two main opposition parties, the Social Democracy Party of Brazil (PSDB) and the Democrats Party (DEM), shared Minister Mello's view that the action was potentially illegal. Federal Deputy Antonio Carlos Pannunzio, PSDB leader in the Chamber of Deputies, complained of the government's growing use of Provisional Measures for legislation it is unable to convince Congress to pass, while Senator Jose Agripino Maia, the DEM leader in the Senate, questioned the legality of the government's action, but neither party has challenged the provisional measure in court.

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COMMENT  
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18. From a political and electoral perspective, a legal challenge is probably a non-starter. Families with children about to turn 16 who were facing the loss of the 18-Real monthly stipend will now instead see it rise by 67 percent to 30 Reals. If the opposition were to succeed in blocking the measure, their reward would be to have stopped the government from giving money to poor families, offering a propaganda victory to the government and ruling party. According to media reports, President Lula anticipated the opposition's dilemma and reaction. He was quoted saying that the opposition

would know better than to shoot themselves in the foot.

¶9. Bolsa Familia remains a controversial program in Brazil. Even its fiercest critics acknowledge that it provides a lifeline to Brazilians living in dire poverty. The government cites it as a major contributor to poverty reduction and alleviation and, citing its school attendance and vaccination provisions, stresses its potential to break the cycle of poverty by ensuring better education and health care for poor children. The opposition PSDB complains frequently that the Lula administration merely consolidated several assistance programs initiated by President Fernando Henrique Cardoso into one umbrella program and then expanded it by softening the eligibility requirements and providing lackluster enforcement, thereby turning it into a major electoral vehicle. They also argue that without accompanying investment to develop the economy in impoverished areas, the program will only perpetuate dependency. Many business representatives complain that workers turn down employment offers to avoid losing their BF benefits, choosing instead to work on the informal economy.

¶10. The government's expansion of the program so close to the stroke of midnight - and while Lula is assuring the public in almost the same breath that all branches of government will tighten their belts and make sacrifices in the face of anticipated revenue shortfalls - is open to question, but Lula is probably correct that

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the negative comments will soon pass, while his commitment to Brazil's poorest citizens will be noted and remembered. End Comment.

¶11. This cable was coordinated with and cleared by Embassy Brasilia.

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